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October 26, 2010

Employer Code: 1541  
Job Number: P09-038

Alameda County Waste Management Authority  
Patricia Cabrera, Administrative Services Director  
1537 Webster Street  
Oakland, CA 94612

Dear Ms. Cabrera:

Enclosed is our final report on the results of the public agency review completed for the Alameda County Waste Management Authority. Your agency's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker

Margaret Junker, CPA, CIA, CIDA  
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Lori McGartland, Chief, ERSD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Holly Fong, Chief, EMHS, CalPERS  
Honorable Board Members, Alameda County Waste Management Authority  
Gina Peters, Finance Officer, Alameda County Waste Management Authority

# Alameda County Waste Management Authority



## Public Agency Review



Office of Audit Services

Employer Code: 1541  
Job Number: P09-038

October 2010

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# ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

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## RESULTS IN BRIEF

We reviewed the Alameda County Waste Management Authority's (Authority) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- Payrate was not reported in accordance with public salary information.
- Payroll information was not remitted timely.
- Temporary/part-time employees were not enrolled in CalPERS membership.
- Required health enrollment forms were not maintained.
- Required ACES user security agreement forms were not maintained/completed.

## BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period

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with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The Authority is a public agency formed in 1976 by a Joint Exercise of Powers Agreement among the County of Alameda, each of the fourteen cities within the county, and two sanitary districts that provide refuse and recycling collection services. The Authority has a seventeen-member board composed of elected officials appointed by each member agency. The Authority manages a long-range program for development of solid waste facilities and offers a wide variety of other programs in the areas of source reduction and recycling, market development, technical assistance and public education. The human resources manual and employee-benefits summary outline all Authority employees' salaries and benefits and state the terms of employment agreed upon between the Authority and its employees.

The Authority contracted with CalPERS effective April 27, 1991, to provide retirement benefits for local miscellaneous employees. The Authority's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The Authority contracted with CalPERS effective May 1, 1991, to provide health benefits to all eligible employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the Authority's payroll reporting and enrollment processes as these processes relate to the Authority's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the Authority complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on December 7, 2009, through December 10, 2009.

The review period was limited to the examination of sampled records and processes from October 1, 2006, through September 30, 2009. To accomplish the review objectives, we performed the following:

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- ✓ Reviewed the contract and subsequent amendments the Authority had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Authority had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the Authority's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the Authority's payroll register with the data reported to CalPERS to determine whether the Authority correctly reported employees' compensation.
- ✓ Reviewed the Authority's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Authority's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the Authority's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the Authority's classification of employees to determine whether the Authority reported employees in the appropriate coverage groups.
- ✓ Reviewed the Authority's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the Authority properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health contribution payment information to determine whether the Authority remitted payments within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the Authority contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the Authority maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

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## RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

| RISK   | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|--|---|--|
| 1. The Authority may not accurately report compensation to CalPERS.                              | <p>We reviewed payroll records and compensation reported to CalPERS for a sample of 10 employees over two service periods. The service periods reviewed were the second service period of December 2008 (12/08-4) and the first service period of September 2009 (9/09-3).</p> <p>The earnings reported to CalPERS were reconciled to the Authority's payroll records. The Authority accurately reported compensation to CalPERS for the sampled employees during the two sampled service periods.</p>  | None.  |
| 2. The Authority may not report payrates in accordance with publicly available salary schedules. | <p>We reviewed payrates reported to CalPERS and reconciled the payrates to the Authority's public salary information to determine whether payrates for the sampled employees identified in Risk 1 were properly authorized and reported. Our sample testing for service periods 12/08-4 and 9/09-3 revealed the Authority correctly reported payrates for the employees tested except for two sampled employees' payrates, which were not listed in a publicly available salary schedule. The Authority stated it would revise its public salary schedules.</p> | <p>The Authority should include all employees' payrates on publicly available salary schedules.</p> <p>The Authority should work with CalPERS ERSD to determine the impact of this incorrect reporting and what adjustments, if any, are needed.</p> |

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|---|---|--|
| 2. The Authority may not report payrates in accordance with publicly available salary schedules.<br>(continued) | Government Code, § 20636(b)(1), states, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules."  | A confidential list identifying the individuals mentioned in this section of the report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.  |
| 3. The Authority may not accurately report payroll information to CalPERS.                                      | <p>We reviewed the payroll listing information reported to CalPERS for the sampled employees and service periods identified in Risk 1. We also reviewed payroll reporting elements to ensure the Authority utilized the correct pay codes, work schedule codes and service period type codes.</p> <p>Our sample testing revealed that the Authority correctly reported payroll information and payroll reporting elements to CalPERS.</p> | None.  |
| 4. The Authority may fail to or did not submit payroll in a timely manner to CalPERS.                           | <p>We reviewed the payroll information for service periods 7/07-4, 12/08-4 and 9/09-3 and found that payroll information and retirement contributions were not submitted within required timeframes. Specifically, we noted the following:</p> <p>In service period 7/07-4, ending July 28, 2007, the CalPERS Summary Report and Payroll Listing, due August 27, 2007, was dated August 28, 2007, which was</p>                           | <p>The Authority should ensure that payroll information and contribution payments are submitted to CalPERS timely.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this late payroll reporting and determine what</p> |

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| RISK   | MITIGATION & OBSERVATION   | RECOMMENDATION                          |
|--|--|---|
| <p>4. The Authority may fail to or did not submit payroll in a timely manner to CalPERS.<br/>(continued)</p> | <p>untimely. The retirement contributions were due on August 12, 2007; however, the contribution check was issued on August 28, 2007, which was untimely.</p> <p>In service period 12/08-4, ending December 27, 2008, the retirement contributions were due on January 11, 2009; however, the contribution check was issued on January 23, 2009, which was untimely.</p> <p>In service period 9/09-3, ending September 5, 2009, the retirement contributions were due on September 20, 2009; however, the contribution check was issued on September 25, 2009, which was untimely.</p> <p>California Code of Regulations, § 565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1 (a) states, "A complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers."</p> | <p>adjustments, if any, are needed.</p> |

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| RISK   | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|--|---|--|
| <p>5. The Authority may not enroll all eligible employees into CalPERS membership.</p> | <p><u>Excluded Employees</u></p> <p>The contract between the Board of Administration of CalPERS and the Board of Directors of the Authority excluded all local safety employees and the Board of Directors from CalPERS membership. The Authority did not employ any local safety employees and properly did not offer membership to the Board of Directors.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of three temporary/part-time employees and reviewed the number of hours worked in fiscal year 2007/2008 to determine whether the employees reached or exceeded the 1,000 hour membership eligibility requirement. We also selected all temporary/part-time employees who worked during fiscal years 2007/2008 and 2008/2009 and checked for prior CalPERS membership.</p> <p>Our testing revealed that the three sampled employees did not work more than 1,000 hours in fiscal year 2007/2008; however, one of the three was identified as a prior CalPERS member with a different agency, whose contributions were not refunded. We also identified a second employee who was a prior CalPERS member with a different agency, whose contributions were not refunded.</p> | <p>None.</p> <p>The Authority should ensure that all employees are enrolled timely and earnings are reported when membership eligibility criteria are met.</p> <p>The Authority should work with CalPERS ERSD to determine the impact of this membership issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been</p> |

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

| RISK   | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|--|---|--|
| <p>5. The Authority may not enroll all eligible employees into CalPERS membership.<br/>(continued)</p> | <p>Neither of these employees was brought into CalPERS membership upon hire with the Authority. The Authority should have submitted a membership enrollment form, reported the employees' earnings and remitted contributions beginning with the first day of employment.</p> <p>Government Code, § 20305 (a), states, in part, "An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless: (1) He or she is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract."</p> <p><u>Independent Contractor</u></p> <p>We reviewed the Authority's IRS 1099 Miscellaneous Income forms for calendar years 2007 and 2008 in order to identify employees that may be misclassified as independent contractors. The selected employees were properly classified as independent contractors and correctly excluded from CalPERS membership.</p> | <p>sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p> <p>None.</p> |
| <p>6. The Authority may unlawfully employ retired annuitants.</p>                                      | <p>We reviewed the hours worked for one retired annuitant in fiscal year 2007/2008 and two retired annuitants in fiscal year 2008/2009. Our sample testing revealed that the retired annuitants did not exceed the 960 hour threshold.</p>  | <p>None.</p>   |

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

| RISK   | MITIGATION & OBSERVATION   | RECOMMENDATION  |
|--|--|---|
| 6. The Authority may unlawfully employ retired annuitants.<br>(continued)                            | We also determined that a bona fide separation from employment, per Government Code, § 21220.5, was not needed as the sampled retired annuitants' ages at retirement were beyond the normal retirement age.  | None.   |
| 7. The Authority may not appropriately report members under the proper coverage group code.          | Our sample testing revealed that the Authority reported members under the appropriate coverage group code.   | None.   |
| 8. The Authority may not accurately report unused sick leave balances for retiring CalPERS members.  | Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the Authority. We reviewed the Authority's certification of unused sick leave for a sample of four retirees. Our sample testing revealed that the Authority properly reported the balance of unused sick leave for all four sampled retirees.                                 | None.   |
| 9. The Authority may not properly enroll eligible employees and their dependents in health benefits. | We reviewed a sample of four members to assess the health benefits eligibility and enrollment of employees and their dependents. Our sample testing revealed that the Authority properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program. However, the Authority did not complete and maintain a Declaration of Health Coverage (HB-12A) form for all four of the sampled employees. | The Authority must ensure that the proper member and dependent enrollment documentation is on file at the Authority within 60 days from the date of our final report.<br><br>Please send an email to: |

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

| RISK  | MITIGATION & OBSERVATION   | RECOMMENDATION   |
|---|--|--|
| 9. The Authority may not properly enroll eligible employees and their dependents in health benefits.<br>(continued) | The HB-12A provides information on enrollment options, consequences for non-enrollment and is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A upon enrollment eligibility or when making changes to their health coverage, including open enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A when an employee requests enrollment or with the Health Benefit Plan Enrollment (HBD-12) form and must also provide a copy of the signed form and keep the original in the employee's file. | <i>HBB_Audit_Services@calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.<br><br>A confidential list identifying the individuals mentioned in this section of the report has been sent to the Authority and CalPERS HBB as an appendix to our draft report. |
| 10. The Authority may not contribute the appropriate health contribution amounts for active employees.              | We reviewed the health contribution history for the sampled employees in Risk 9 and determined that the Authority contributed the appropriate health contribution amounts as part of the sampled employees' total monthly contribution amount.   | None.  |
| 11. The Authority may not remit health contributions within the required timeframe.                                 | We reviewed the health contributions for December 2008, February 2009 and September 2009. Health contributions are due by the 10th day of the month for which the contributions were due. We determined that the Authority remitted the health contributions within the appropriate timeframe for December 2008, February 2009 and September 2009.   | None.  |

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|---|---|--|
| <p>12. The Authority may not maintain appropriate ACES security procedures.</p> | <p>We reviewed the security procedures for the Authority's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users. We determined that the Authority did not use appropriate ACES security procedures. The Authority did not properly complete and retain an Employer User Security Agreement (AESD-43) form for three employees and did not complete a Delete ACES Users Access (AESD-42) form for one employee who was no longer employed by the Authority.</p> <p>Subsequent to the on-site fieldwork, the Authority completed and submitted all required AESD-43 and AESD-42 forms.</p> <p>CalPERS ACES Security procedures outlined on the CalPERS website at <a href="http://www.calpers.ca.gov">www.calpers.ca.gov</a> require agencies to keep a signed copy of security documents on file for ACES users. An AESD-43 must be completed for each employee using CalPERS on-line access and be available to CalPERS upon request. Forms must be retained in a secure work site location of the employer, for the life of the Agreement and for two years following the deactivation or termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or</p> | <p>The Authority should ensure that ACES user security agreements are timely completed and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements. The Authority should submit a Delete "ACES User Access" form to CalPERS for any employee no longer requiring ACES access and maintain a copy for two years.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p> |

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## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

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| RISK  | MITIGATION & OBSERVATION   | RECOMMENDATION |
|---|--|----------------|
| 12. The Authority may not maintain appropriate ACES security procedures.<br>(continued) | confidential information is subjected to unauthorized disclosure, modification or destruction. |                |

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# ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY

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## CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the Authority's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

Original Signed by Margaret Junker

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Margaret Junker, CPA, CIA, CIDA  
Chief, Office of Audit Services

Date: October 2010

Staff: Michael Dutil, CIA, Senior Manager  
Jacque Conway, CPA, CIA, CGFM, Manager  
Adeeb Alzanoon  
Albert Sim

# APPENDIX

## AUTHORITY'S WRITTEN RESPONSE

1537 Webster Street  
Oakland, CA 94612

Ph: 510-891-8500  
Fax: 510-893-2308

# STOPWASTE.ORG

Reducing the Waste Stream for Alameda County

*StopWaste.Org is the Alameda County Waste Management Authority & the Alameda County Source Reduction and Recycling Board operating as one public agency.*

#### Member Agencies

Alameda County

Alameda

Albany

Berkeley

Dublin

Emeryville

Fremont

Hayward

Livermore

Newark

Oakland

Piedmont

Pleasanton

San Leandro

Union City

Castro Valley

Sanitary District

Oro Loma

Sanitary District

#### Agency Programs

Bay-Friendly Gardening  
& Landscaping

Green Building  
in Alameda County

StopWaste Business  
Partnership

irecycle@school

Environmentally  
Preferable Purchasing

Food Scrap Recycling

Grants to Non-Profits

Household Hazardous

Waste Recycling

Multifamily Recycling

Recycling Information

Hotline

September 7, 2010

CalPERS  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701

RE: Response to Public Agency Review - Employer Code: 1541/Job Number: P09-038

Dear Ms. Junker:

We have reviewed the draft report and our responses to your recommendations are as follows:

**Recommendation:** The Authority should include all employees' pay rates on publicly available salary schedules. The Authority should work with CalPERS ERSD to determine the impact of this incorrect reporting and what adjustments, if any, are needed.

**Response:** *The two employees listed as exceptions had negotiated percentages which were Agency approved and documented. While these increase were not included in the publicly available salary schedule, differential pay is outlined in our HR manual which was board approved at a public meeting. While we have now included all current pay rates in publicly available salary schedules we would like to know how differential pay should be reflected.*

**Recommendation:** The Authority should ensure that payroll information and contribution payments are submitted to CalPERS timely. The Authority should work with CalPERS ERSD to assess the impact of this late payroll reporting and determine what adjustments, if any, are needed.

**Response:** *We agree with this finding and will ensure that payroll information and contribution payments are submitted on time. The Authority will work with CalPERS ERSD to assess the impact of this late payroll reporting and determine what adjustments are needed.*

**Recommendation:** The Authority should ensure that all employees are enrolled timely and earning are reported when membership eligibility criteria are met.

**Response:** *One of the employees listed in this exception no longer works for the Authority. The second employee indicated when hired that she is not a CalPERS member. However, following your recommendation this intermittent employee will be enrolled in CalPERS and her earnings reported.*

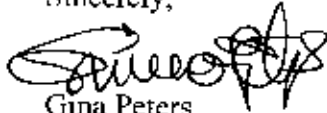
**Recommendation:** The Authority must ensure that the proper member and dependent enrollment documentation (IBD-12) is on file within 60 days from the date of the report.

**Response:** *The IIB-12A form are now on file for all four employees listed. A notification e-mail has been sent to [HBB\\_Audit\\_Services@calpers.ca.gov](mailto:HBB_Audit_Services@calpers.ca.gov) as requested.*

**Recommendation:** The Authority must ensure that ACES user security agreements are timely completed and on file.

**Response:** *The ACES user security agreements have been completed and are now on file.*

Sincerely,

A handwritten signature in black ink, appearing to read "Gina Peters", with a stylized flourish at the end.

Gina Peters  
Chief Finance Officer